IIFL Capital Services Ltd — Jul 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat **One-line:** Massive operating leverage played out as the Investment Banking and Distribution businesses scaled faster than the cost base, reinforcing the thesis of IIFL Securities evolving from a cyclical broker to a diversified capital markets play.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	PBT grew 142% YoY on a 57% revenue growth, indicating massive margin expansion.	□
Earnings Quality	High (Core driven)	Growth driven by Investment Banking (IB) transactions and Distribution AUM, not one-offs.	□
Guidance Confidence	Strong	Management highlights a strong IB pipeline for the next 4-6 quarters.	□
Management Credibility	Strong	Execution of 10 major deals in Q1 including 4 IPOs validates their "Leading IB Franchise" claim.	□
Business Quality Signal	Improving	Revenue mix shifting toward sticky Distribution and high-margin IB fees.	□
Key Q&A Exchange	PPT_ONLY: Not applicable	N/A	□
The Street's Primary Anxiety	Cyclicality of brokerage	Mgmt response: Distribution income now represents ~56% of retail brokerage revenue, providing a cushion.	□
Capital Cycle Stage	Harvesting	Utilizing established research and tech platform to capture surging capital market activity.	□
Margin / Return Ratio Trajectory	Improving	PBT Margin expanded from 24.9% (Q1FY24) to 38.5% (Q1FY25).	□
Pricing Power	Stable	Maintaining top-tier rankings with FIIs/DIIs despite competitive pressure in retail.	□
FCF Conversion & Quality	Not in document	Cash flow statement not provided in PPT.	□
Competitive Moat Signals	Widening	Distribution AUM reached □29,000 Cr; MF AUM grew 150% in 3 years.	□
Balance Sheet Strength	Strong	Finance costs as % of total income fell from 13.6% to 11.2% YoY.	□
Working Capital Efficiency	Stable	99% digital account opening ensures low-cost acquisition and lean operations.	□
Mgmt Guidance Track Record	Reliable	First entry.	□
Key Vulnerability / Red Flag	Market Sensitivity	High dependence on capital market sentiment for the IB pipeline and brokerage volumes.	□
Management Tone	Confident	Tone inferred from "prolific period" and "strong pipeline" descriptors in PPT.	□

Key Takeaways (Positives & Negatives): * **Positives:** Total Income grew 57% YoY to ₹643.8 Cr, fueled by a 78% surge in Financial Product Distribution and a significant jump in Investment Banking activity (10 deals closed). Operating leverage is stark, with Total Expenses growing only 28% against a 57% revenue jump. The Distribution AUM of ₹29,000 Cr creates a structural floor for future earnings. * **Negatives:** Despite diversification, the business remains heavily tethered to Indian equity market cycles; any slowdown in IPO/QIP activity would immediately hit the IB revenue (₹128.7 Cr this quarter) which is lumpy by nature. * **Forward-looking Watchpoint:** Monitor the execution of the "4-6 quarter" IB pipeline to see if the current ₹120 Cr+ quarterly run-rate in IB is sustainable or a peak-cycle anomaly.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Operations)	₹639.9 Cr	↑ 56%	↓ 7%	↑	Volume driven growth in brokerage and higher deal flow in IB.
PAT	₹182.3 Cr	↑ 144%	↑ 1%	↑	Strong operating leverage; margin expansion due to controlled costs.
Fee Income Growth (Dist.)	₹106.2 Cr	↑ 78%	↓ 11%	↑	Driven by growth in SIPs and Mutual Fund AUM (₹12,860 Cr).
Retail Brokerage	₹187.6 Cr	↑ 49%	↓ 16%	↑	Volume growth in retail segment; QoQ dip likely market-activity related.
Investment Banking Rev.	₹128.7 Cr	↑ 47%	Not in doc	↑	10 transactions completed; pipeline remains strong for 4-6 quarters.
Custody AUM	₹192,900 Cr	↑ 50%	↑ 16%	↑	Reflects strong institutional engagement and market appreciation.
Distribution AUM	₹29,000 Cr	↑ 50%	↑ 10%	↑	Core focus area for non-cyclical revenue growth.
Employee Cost	₹129.6 Cr	↑ 44%	↑ 6%	→	Capacity expansion to capitalize on market opportunities.
PBT Margin (%)	38.5%	↑ 1,360 bps	↑ 480 bps	↑	Realization of scale benefits as fixed costs are absorbed.
Live SIP Count	250,000	First entry	First entry	↑	Strong retail participation trend continuing.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Retail Brokerage	₹187.6	49%	Not in doc	↑	Laggard	Continued shift toward digital account opening (99%).
IB & Institutional	₹128.7*	47%*	High	↑	Leader	Completed 4 IPOs and 2 QIPs in Q1FY25.
Financial Distribution	₹106.2	78%	Not in doc	↑	Leader	Mutual Fund AUM up to ₹12,860 Cr from ₹5,150 Cr in 3 years.

**Note: Derived from Investment Banking slide; segment reporting in snapshot includes ancillary fees.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	Investment Banking	Pipeline to be executed over next 4-6 quarters.	Needs ~□80-100 Cr/qtr to maintain current momentum.	First entry	Medium (Market dependent)
Guidance	Distribution	Scaling HNI/UHNI platform with senior hires.	Requires consistent AUM growth of 20%+ to offset RM costs.	First entry	Low
Strategy	Digital Focus	99% of accounts opened digitally.	Maintain current tech spend to prevent attrition.	Delivered	Low
Strategy	IB Positioning	Winning mandates across all product categories.	10 deals in Q1 validates the win-rate.	Delivered	Low
Macro	Market Coverage	Research covers 73% of India's market cap.	Static requirement; needs 42-analyst team retention.	Delivered	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

STOP HERE.